



FIRST NORTHERN BANK

August 1, 2008

Dear Customers:

In light of the intensifying media coverage relating to the financial services industry, it's understandable that there is public concern and anxiety about the safety of their financial resources. It is important to point out that the news is about banks, thrifts and mortgage firms that either got involved in subprime lending, or they were undercapitalized and therefore not equipped to operate in challenging economic times.

First and foremost, I'd like to say right up front that while those institutions are making headlines, First Northern Bank is a very safe financial institution. We are "well-capitalized" and are well-positioned to handle economic downturns; we have over \$60 million in capital and well over \$100 million in liquidity resources. Remember, we have been in business nearly 100 years, and have survived the Great Depression, and many, many recessions.

Both the American Banker's Association (ABA) and the Federal Deposit Insurance Corporation (FDIC) have made strong statements about the banking industry, reassuring depositors and providing some useful information. Keep in mind that the media continues to overlook the fact that the subprime lending crisis was caused by unregulated brokers and Wall Street institutions, sometimes using the title "bank," and not by regulated, insured banks. Our banking system is strong. This crisis will pass, as have all the others, and the result will be a stronger financial system with fewer unregulated players.

The media tends to lump all financial institutions under one umbrella. Mortgage firms and investment houses, such as Bear Stearns, are not commercial banks, and their functions, purposes and regulation differ from federally insured depository institutions. This creates an understandably confusing situation for the public.

First Northern Bank has long supported its communities with mortgage loans and real estate construction loans. While the Bank does not participate in subprime lending practices, it unfortunately is not immune to the effects those practices have had on the economy and on financial institutions across the nation. Like other financial institutions that provide residential construction loans, First Northern Bank's earnings have been hit hard by the continuing need to write down the values of properties used as collateral on loans.

Bank Management has taken prompt action deemed prudent to properly value the collateral and take resulting losses sooner rather than later. Our strong financial capital position allows us to deal with these situations in this responsible manner.

Yes, these are challenging times, but economic ups and downs are a natural part of the business that banks are in. Banks certainly feel the effects of economic cycles, but they are equipped to handle them. Banks are a source of stability and growth in our communities and our nation's economy. In fact, the vast majority of federally regulated, federally insured banks today hold more capital than the law requires, including First Northern Bank.

I have included an attachment to this letter that contains information about today's banking industry and how you can assess your FDIC insurance coverage. First Northern Bank's mission hasn't wavered; just as it was back in 1910, our mission is to be a trusted financial advisor for our clients. We will continue doing our very best everyday to earn your trust by keeping your deposits safe and by using our resources to help finance your dreams.

Sincerely,



Owen J. Onsum
President & CEO